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Message Text

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63
ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-14 IO-14 ISO-00

AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00

FPC-01 H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

FEA-02 PA-04 PRS-01 USIA-15 OIC-04 DRC-01 /243 W
---------- 099428
R 202216Z JUN 74
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 1481
INFO AMEMBASSY ABU DHABI
USINT ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY BRUSSELS
AMEMBASSY CARACAS
AMCONSUL GUAYAQUIL
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
USMISSION USUN NEW YORK
AMEMBASSY VIENNA

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BRUSSELS FOR ENDERS

E.O. 11652: N/A
TAGS: ENRG, OPEC, EC
SUBJECT: ECUADOREAN IMPLEMENTATION OF OPEC TAX DECISION
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REF: A) CARACAS 5572; B) QUITO 4030

SINCE ECUADOR ALREADY COLLECTS A 16 PERCENT ROYALTY ON CRUDE PRODUCTION, IT PLANS TO ADOPT ALTERNATIVE MEANS TO INCREASE GOVERNMENT TAKE BY AN AMOUNT EQUIVALENT TO THE 2 PERCENT INCREASE IN ROYALTY AGREED IN THE OPEC MEETING IN QUITO. MINISTRY OF FINANCE IS STUDYING VARIOUS ALTERNATIVES. TWO POSSIBILITIES HAVE BEEN MOOTED. ONE IS AN INCREASE IN THE 44.4 PERCENT INCOME TAX; THIS MIGHT COME OUT AS A GENERAL MEASURE APPLICABLE TO ALL CORPORATIONS IN ECUADOR. ANOTHER IS AN INCREASE IN THE 15 PERCENT EXPORT TAX APPLICABLE TO CRUDE PETROLEUM. IN DISCUSSION WITH EMBOFF, STATE OIL COMPANY (CEPE) MANAGER RENE VARGAS, USED A FIGURE OF ELEVEN CENTS PER BARREL AS THE TARGET FOR INCREASED GOVERNMENT TAKE. THIS IS THE NET INCREASE IN GOVERNMENT TAKE PER BARREL OF EQUITY OIL THAT WOULD RESULT FROM A 2 PERCENT INCREASE IN ROYALTY ON ARABIAN LIGHT MARKER CRUDE. HE DESCRIBED OPEC'S DECISION ON PRICES AS A CONTRIBUTION TO THE TRANQUILLITY IN PETROLEUM MARKET AND TERMED TAX INCREASE A SMALL ONE WHICH CONSUMER GOVERNMENTS SHOULD NOT ALLOW PETROLEUM COMPANIES TO PASS ON. HE INSISTED THAT TEXACO AND GULF ARE MAKING ABSOLUTE MINIMUM OF $1.40 PROFIT PER BARREL OF ECUADOREAN CRUDE, UP FROM 40 CENTS WHEN EXPORTS BEGAN IN 1972. WHILE WE SUSPECT THAT THE COMPANIES WOULD DISPUTE VARGAS CALCULATION, WHICH IS BASED ON HIS OWN ASSUMPTIONS ABOUT PRESENT TRANSFER AND THIRD PARTY PRICES, IT IS INTERESTING AS AN INDICATION OF HOW MUCH FAT THE GOE MAY BELIEVE AWAITS TRIMMING.
BREWSTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, TAX AGREEMENTS, GOVERNMENT REVENUES, TAX RATES, INCOME TAXES
Control Number: n/a
Copy: SINGLE
Draft Date: 20 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974QUITO04123
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740162-0572
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740628/aaaaaxut.tel
Line Count: 90
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
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Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) CARACAS 5572; B) QUITO 4030
Review Action: RELEASED, APPROVED
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Review Comment: n/a
Review Content Flags:
Review Date: 22 MAR 2002
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Review Withdrawn Fields: n/a
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